

Aries PMS - Treasury

(FOR PRIVATE CIRCULATION ONLY)

August 2017

As on 31st July, 2017

Investment Objective

- An intermediate yield fixed income strategy focusing on suitably chosen debt assets can offer significant risk-adjusted returns over Indian G-Sec investments in the next 3-5 years.

Benchmark

- S&P BSE India Corporate Bond Index

YTM of the Portfolio (Including Cash & Equivalents)

- 13.19%

Minimum Investment

- Initial investment of INR 25,00,000/-.
- Additional Investment of INR 1,00,000/-.

Ideal Investment Horizon

- 6 - 9 months

Fund Manager

- Ramesh Rachuri
- Total Experience: Over 14 years

Investment Style Maturity

	Short	Medium	Long	
				Low
				Medium
				High

Yield

The target gross yield for the portfolio will be in the range of 9% – 12% and the portfolio duration will be 6 – 9 months.

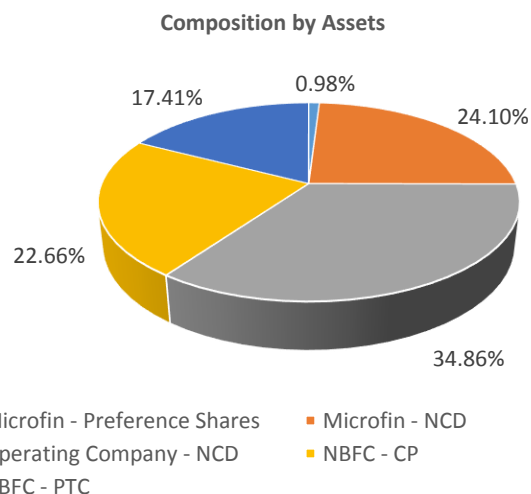
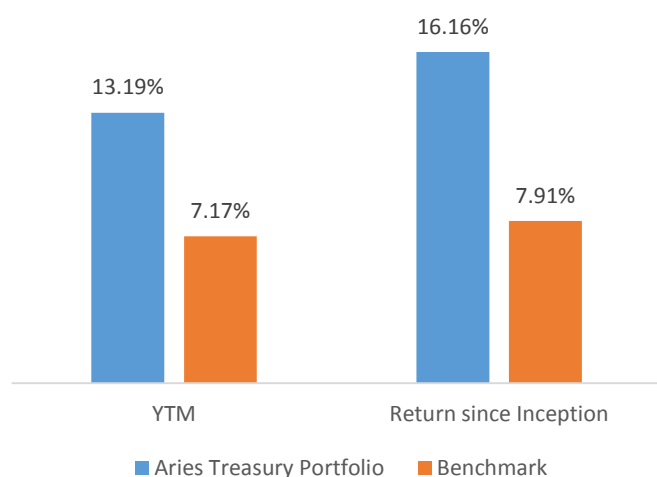
Aries PMS – Treasury focusses investing in intermediate yield credit including papers with rating between AA and A- and other equivalent assets/securities. This space covers debt assets between two extremes - the relatively but low-yield sovereign/AAA debt on one hand and the unrated/BBB rated relatively risky debt on the other.

**The target gross yield is a mere statement of expectation of portfolio manager based on reasonable assessment of current scenario. Actual returns may vary from the targets stated above.*

Portfolio Construction Methodology:

The portfolio will be constructed keeping in mind the incremental risk and return of each security in comparison with the risk free securities. Following are some guiding factors:

- **Balancing liquidity** - Investments will be made in securities which are expected to be reasonably liquid. This gives us the flexibility to actively trade in securities wherever we find an opportunity resulting in capital gains. In case of illiquid securities, only those securities which have a maturity period of less than 1 -1.5 years will be invested in such that these can be held till maturity. Not more than 20% of the portfolio will be invested in these illiquid securities.
- **Balancing outstanding maturity** - Weighted average portfolio duration will be targeted at 0.5 – 1 year. However, the maturities of the underlying instruments will be spread across the curve and may range from short term corporate bonds with a maturity of a few months to long term government securities. Average maturity will be dynamically managed based on the interest rate view, inflation and credit risk. Currently we plan to invest ~80% of the portfolio in longer tenor securities with duration of 5 – 7 years to benefit from capital gains arising from reduction in credit spreads. Remaining portfolio will be invested in shorter tenor securities with duration of 1 – 1.5 years.
- **No dependency on further fall in interest rates** – With a significant fall in interest rates in 2015-16, huge capital gains have been realized in long term bonds/long term income funds. However, going forward with lower rate cuts or no rate cuts this rally is unlikely to recur. We will include securities that will realize capital gains over a period of time due to yield compression arising from narrowing credit spreads rather than fall in interest rates. Hence the portfolio will achieve some part of the returns from capital gains even if there are no further rate cuts and government securities do not have capital gains.



Benchmark: It is based on 10 best ultra short term mutual funds taken in equal proportion

*This composition by rating is for the invested portfolio (excluding cash & equivalents)

Suitable for:

This product is suitable for investors seeking short term capital appreciation with liquidity. Aries PMS –Treasury is ideal for investors wanting to hold a fixed income portfolio with low risk appetite expecting a slightly higher spread of returns over government debt of similar maturity.